

Message Text

LIMITED OFFICIAL USE

PAGE 01 BANGKO 11051 211337Z

46

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 CEA-01

INT-05 AGR-05 PRS-01 PA-01 L-03 H-02 /090 W

----- 029917

R 211232Z APR 76

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 4303

LIMITED OFFICIAL USE BANGKOK 11051

E.O. 11652: N/A

TAGS: EFIN, TH

SUBJ: OUTGOING FINANCE MINISTER REVIEWS HIS YEAR IN OFFICE

REF: BANGKOK 10719

SUMMARY: OUTGOING FINANCE MINISTER BUNCHU ROTCHANASATHIAN, REPLYING TO CRITICISM OF INCOMING DEMOCRATIC PARTY FINANCE MINISTER SAWET PIAMPHONGSAN, HAS POINTED WITH PRIDE TO THE ACCOMPLISHMENTS OF THE KHUKRIT GOVERNMENT AND COMMENDED THE ECONOMIC POLICIES OF THE NOW-OPPOSITION SOCIAL ACTION PARTY TO THE INCOMING SENI GOVERNMENT. AMONG THE ECONOMIC ACCOMPLISHMENTS OF THE PAST YEAR HE CITED THE OVERALL INCREASE IN NATIONAL PRODUCTION, THE SUBSTANTIAL REDUCTION IN RATE OF INFLATION AND THE IMPROVED MANAGEMENT OF THE COUNTRY'S FINANCIAL RESOURCES. HE TOOK THE OCCASION TO CRITICIZE THE PREVIOUS DEMOCRAT-LED GOVERNMENT FOR THE TEMCO DECISION, WHICH DIRECTLY LED TO DECLINING TIN PRODUCTION AND ADVERSELY AFFECTED THE INVESTMENT CLIMATE IN GENERAL. ACCORDING TO PAUL SITHI-AMNUAY, A CLOSE CONFIDENT, BUNCHU WILL BE THE LEADER OF THE OPPOSITION IN THE NEW PARLIAMENT.

1. OUTGOING FINANCE MINISTER BUNCHU ROTCHANASATHIAN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BANGKO 11051 211337Z

GAVE HIS VALEDICTORY PRESS CONFERENCE APRIL 20. THE

PRESS CONFERENCE SERVED AS BOTH A SUMMING UP OF HIS STEWARDSHIP AND AS A PREPARATORY STATEMENT FOR HIS NEW ROLE AS SPOKESMAN FOR THE OPPOSITION SOCIAL ACTION PARTY IN PARLIAMENT. HE PROFESSED SATISFACTION WITH THE RATE OF INCREASE IN NATIONAL PRODUCTION IN 1975 WHICH WAS ACHIEVED DESPITE THE WORLD ECONOMIC RECESSION AND THE UNSETTLED DOMESTIC POLITICAL ENVIRONMENT. THE PRINCIPAL EXCEPTION WAS THE MINING SECTOR. BUNCHU TIED THE DECLINE IN MINING OUTPUT AND REVENUES TO THE PREVIOUS SENI GOVERNMENT'S DECISION TO REVOKE THE TEMCO TIN CONCESSIONS.

2. COMMENT: THE EMBASSY BELIEVES THE MOST IMPORTANT REASON FOR DECLINING TIN PRODUCTION AND REVENUES IS DETERIORATING LAW AND ORDER IN SOUTHERN THAILAND, WHICH THE KHUKRIT GOVERNMENT CHOSE TO IGNORE. WHILE THE SUSPENSION OF MINING BY TEMCO DID AFFECT TIN PRODUCTION, (THE HEAD OF THE THAI MINING ASSOCIATION, WICHA SETTHABUT, HAS DECLARED REVENUES DECLINED BY \$60 MILLION IN 1975 WHEN COMPARED WITH 1974 AND PLEADED FOR NEW MINING LAWS AND POLICIES) THE PRINCIPAL AFFECT OF THE TEMCO DECISION WAS THE BODY BLOW IT DEALT TO FOREIGN INVESTOR CONFIDENCE. BUNCHU'S SECRETARY, AFTER RETURNING FROM A TRIP WITH THE FINANCE MINISTER TO THE U.S. IN SEPTEMBER 1975, CONFIDED THAT THE TEMCO DECISION WAS THE WORST THING THE THAI GOVERNMENT HAD DONE IN RECENT YEARS. "EVERYWHERE WE WENT BUSINESSMEN AND BANKERS THREW THE TEMCO DECISION AT US."

3. THE KHUKRIT GOVERNMENT SPENT CONSIDERABLE EFFORT IN REPAIRING THE DAMAGE DONE BY THE TEMCO DECISION, FINALLY AWARDED A MANAGEMENT CONTRACT FOR THE CONCESSIONS TO BILLITON (SHELL), THE FORMER PARTNER OF UNION CARBIDE IN TEMCO. MINING HAS NOT YET BEEN RESUMED, PRINCIPALLY BECAUSE OF THE LACK OF ANY GUARANTEE THAT OPERATIONS WILL BE PROTECTED FROM THE HORDES OF ILLEGAL MINERS NOW WORKING AT THE SITE. THE RESUMPTION OF MINING IS A PROBLEM THAT FALLS WITHIN THE PURVIEW OF INCOMING MINISTER OF INDUSTRY CHATCHAI CHUNHAWAN, FOREIGN MINISTER IN THE KHUKRIT GOVERNMENT. CHATCHAI IS FULLY AWARE OF THE ANGUISH INVOLVED IN WORKING OUT THE NEW ARRANGEMENT AND PRESUMABLY WILL BE MORE AMENABLE TO GOING THROUGH WITH THE CONTRACT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BANGKO 11051 211337Z

THAN WOULD ONE OF THE DEMOCRATS INVOLVED IN THE ORIGINAL REVOCATION. CHATCHAI HIMSELF, HOWEVER, WAS QUOTED IN THE BANGKOK WORLD OF APRIL 19 AS FAVORING A NEW LAW ON FOREIGN INVESTMENT TO PREVENT EXCESSIVE PROFITS BY FOREIGN INVESTORS AND INSURE THAT PROFITS FROM JOINT VENTURES BE SHARED EQUITABLY. EMBASSY DOES NOT KNOW HOW WELL THOUGHT OUT CHATCHAI'S IDEAS ON SUCH LEGISLATION ARE, BUT ANY LAW DISCRIMINATING AGAINST THE PROFITS OF FOREIGN-OWNED

COMPANIES WOULD DEAL ANOTHER BLOW TO THE POSSIBILITY OF ATTRACTING NEW FOREIGN CAPITAL. IN ANY CASE, THE ESSENTIALLY NEGATIVE REMARKS OF CHATCHAI ARE HARDLY AN AUSPICIOUS BEGINNING TO THE EFFORTS OF THE NEW INDUSTRY MINISTER TO ATTRACT FOREIGN INVESTORS. END COMMENT.

4. BUNCHU ALSO TOOK CREDIT FOR REDUCING THE RATE OF INFLATION WHICH, MEASURED BY THE CONSUMER PRICE INDEX, DECLINED FROM 24.3 PERCENT IN 1974 TO 5.3 PERCENT IN 1975. COMMENT: THE GOVERNMENT'S POLICIES WERE BASICALLY NON-INFLATIONARY, BUT THE PRINCIPAL REASONS FOR THE LESSENING OF THE INFLATION RATE IN THE LAST YEAR RESULTED FROM FACTORS BEYOND THE POWER OF THE THAI FINANCIAL AUTHORITIES TO INFLUENCE -- THE NINTERNATION RECESSION, LOWER INFLATION IN THAILAND'S PRINCIPAL TRADING PARTNERS, AND THE SHARPLY LOWER INTERNATIONAL PRICES FOR SUCH COMMODITIES AS RICE AND SUGAR. END COMMENT.

5. BUNCHU MENTIONED THAT FOREIGN EXCHANGE RESERVES NOW STOOD AT 1.9 BILLION DOLLARS. THIS FIGURE IS THE AMOUNT OF FOREIGN EXCHANGE RESERVES HELD DIRECTLY BY THE GOVERNMENT, NOT ADJUSTED FOR THE NET POSITIONS OF COMMERCIAL BANKS. IF THIS IS TAKEN INTO CONSIDERATION THAI NET FOREIGN EXCHANGE RESERVES ARE 1.4 BILLION DOLLARS, A STILL SATISFACTORY LEVEL.

6. COMMENT: BUNCHU HAS REASON TO POINT WITH PRIDE TO HIS ACCOMPLISHMENTS DURING THE YEAR HIS PARTY WAS IN POWER. IT WAS NOT A SUFFICIENT PERIOD TO ACCOMPLISH LONG RANGE GOALS SUCH AS CHANGING THAILAND'S REVENUE SOURCE FROM INDIRECT TO DIRECT TAXATION, LESSENING RURAL-URBAN IMBALANCES, AND DECENTRALIZING GOVERNMENT RESOURCES, BUT THE DIRECTIONS TAKEN WERE CORRECT AND THE INITIAL STEPS WERE FORWARD. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BANGKO 11051 211337Z

BUNCHU NOW STEPS INTO THE ROLE AS OPPOSITION SPOKESMAN IN THE PARLIAMENT. HE WAS EVEN IN THE RUBBER STAMP NATIONAL ASSEMBLY IN THE LAST DAYS OF THE THANOM-PRAPHAT GOVERNMENT VERY OUTSPOKEN IN HIS VIEWS. WE WOULD EXPECT HIM TO BE AN ARTICULATE OPPOSITION SPOKESMAN ON A WIDE RANGE OF ISSUES. HIS PRESTIGE, FORCEFULNESS AND EXPERTISE WILL BENEFIT THE SOCIAL ACTION PARTY IN ITS OPPOSITION ROLE AND WILL SERVE TO KEEP THE LARGE MAJORITY COALITION ON THE TRACK OF SOCIAL AND ECONOMIC REFORM. WHITEHOUSE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, PERSONAL OPINION, ECONOMIC PROGRAMS, PROGRESS REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ullricre
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BANGKO11051
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760151-0150
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760441/aaaabidu.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BANGKOK 10719
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUN 2004 by BoyleJA>; APPROVED <28 SEP 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OUTGOING FINANCE MINISTER REVIEWS HIS YEAR IN OFFICE
TAGS: EFIN, TH, (SAWET PIAMPHONGSAN), (KHUKRIT PRAMOT), (BUNCHU ROTCHANASATHIAN)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006